

Commitment 7: Job-Friendly Policies

City government should be a help – not a hindrance – to job creation and retention in our region through small business assistance programs and development programs targeting four core sectors (Tourism, Defense, High Tech, and Clean Tech)

The condition of our local economy is interrelated with the City's ability to restore its financial health. The city's top three revenues come from sales tax, property tax, and hotel (TOT) tax.

The recession had weakened revenues from sales tax and hotel taxes – as individuals and businesses throughout the country restrict their spending and travel. Further, the downturn in the housing market has impacted the City Outlook on property tax revenues.

The Roadmap to Reform emphasizes a strategy for adopting jobs-friendly policies to encourage the creation and retention of jobs in our region. The City should approach every decision with some basic questions in mind:

Does this policy make our market more or less attractive to private investment?

Since time is money, and uncertainty creates risk, does this policy or process take longer than it should compared to other jurisdictions?

Does this policy or process impose more burdens on families and businesses – increasing the cost of living or operating a business in the city?

Unfortunately, the City Council has adopted or signaled its intention to adopt several "job killing" policies.

The downtown Planned District Ordinance (PDO) would chase away investment in hotels – significantly under cutting our potential for increased hotel tax revenue.

A proposed hindrance (arguably a de facto ban) on "big box" stores threatens to chase some of the largest generators of sales tax revenues outside the city limits – transferring large sources of sales tax generation to neighboring jurisdictions.

Instead of increasing tax rates and fees (e.g. fighting for more share of a static-sized pie), the City should examine ways to help foster economic growth (e.g. receiving more revenues from our existing share of an ever-growing economic pie).

FY 2012 Changes

Reform 7.1 Implement the "Open for Business" Small Business Action Plan

In June, our office published an "Open for Business" Small Business Action Plan containing eight separate reforms that would make city government friendlier for small businesses. Some of the reforms have been incorporated into other sections of the Roadmap to Recovery – such as Achieving 95% of transactions for small businesses online within five years and expanding city contracting opportunities.

Among the other reforms recommended:

Strengthen and Expand Business Improvement Districts

Business Improvement Districts should become the primary vehicle for technical assistance and issue advocacy for San Diego's small businesses. To achieve this, the City should actively work to expand Business Improvement Districts to cover a larger portion of the city – and should explore the potential of BIDs to provide



value-added services to specific industry segments.

Redefine the Role of the City's Office of Small Business

The Office of Small Business should be transformed from a "paper pushing" operation to a "problem solving" hub. To achieve this, the current focus of the office of administering the finances of the City's BIDs should be changed to use "performance-based contracts" to alleviate administrative burdens for City and BID staff alike.

A representative from each department with "high touch points" with small businesses (such as Development Services Department) should be partnered with remaining OSB staff to create a true "one stop center" for small business assistance.

Consolidate Small Business Enhancement Program Grants

The Small Business Enhancement Program (SBEP) grants are spread too thin, jeopardizing their ability to have a meaningful impact on services to small businesses. As such, the City should use a reformed process for achieving outcome-driven grant allocations. The recently reformed process for Community Development Block Grants represents a model that could be explored for consolidating limited SBEP grants to achieve more meaningful outcomes for small businesses.

Streamline Special Event Permitting and Management

Given the strategic importance of the tourism industry to San Diego and the role special events play in small business promotion, the City should overhaul its processes and costs for special events conducted within the city. The process should be modified to include practices that promote the transparency of City operations and allow for the waiver of City service cost-recovery fees for special event organizers.

Resist Tax and Fee Increases

Higher taxes and fees increase the operating costs of small businesses. Over the past two years a number of fees have increased – most notably water rates and permit fees.

The city's so-called "full cost recovery" policy is a worthy one, but only if the city's operating costs (salaries, pension benefits, staffing levels) are in line with competitive industry benchmarks. The city can hardly make the case that it is operating at peak efficiency, which is why there are ample opportunities to contain or reduce current fee levels for a variety of costs incurred by small businesses.

By implementing the pension and labor cost reforms we outline, the Mayor and City Council can actually offer fee relief to businesses in San Diego, helping to reduce operating costs. The full plan can be accessed at <http://www.sandiego.gov/citycouncil/cd5/news/>.

Reform 7.2 Extension of the Tourism Management District

In 2007, the Tourism Management District was created to promote San Diego tourism through aggressive marketing of our city. The TMD is privately funded through self-assessments on hotels. The TMD resulted in immediate cost savings to the city as the cost of funding ConVis was transferred from the General Fund to the TMD.

At an April City Council meeting, Councilmember DeMaio challenged the TMD Board to return to the city council with a long-range strategic plan outlining what marketing, infrastructure, hotel development, and other programs would be needed to achieve an increase in net hotel tax revenue to the city of \$300 million by FY 2016.

TMD is approaching its sunset date – and action should be taken in FY 2012 to extend the TMD by an additional ten years. As part of the decision to extend the life of the TMD, city leaders should also consider potential investments and programs that can help grow San Diego's tourism industry, in-turn spiking revenues to the city's General Fund.

Long-Term Changes

In addition to the long-range plan being developed for the tourism industry, our office suggests that sector-specific economic growth plans should be developed for the following three industry clusters:

- Defense**
- Clean tech**
- Bio Tech**

A ROADMAP TO Recovery

Reforming San Diego City Government

In addition to pursuing strategies that are industry-specific, three important cross-cutting issues must be addressed to ensure the success of our regional economy for all industries. Councilmember DeMaio will be releasing proposals on the following key issues:

Producing a Workforce with 21st Century Skills

Workforce Housing

Sustainable Operations (Water and Energy)

